

Third Party Marketers Association Webcast

Compliance and Regulatory Issues Facing 3PMs Operating Broker/Dealers

June 25, 2007, 1:00 EST

AGENDA

NASD Rules Pertaining to Outsourcing

- What types of services fall under this category that a 3PM may engage?
- Engaging an off-site/part-time FINOP
 - Required duties including financial reporting and maintenance of books and records
 - Requirements of off-site/part-time FINOP's which include on-site examinations and complete access to all books and records
 - How does a 3PM conduct an on-going review of an off-site/part-time and assess the FINOP's workload and performance?
- What is a broker/dealer's supervisory responsibility when they outsource important functions?

Expense-Sharing Agreements

- Must record each expense related to the broker/dealer on the books or on a separate "schedule of expenses"
- Wherewithal of parent company
- Withdrawal of capital by parent company with an expense-sharing agreement
- Notification of expense-sharing agreements

Proposed Net Capital Rule Changes, pending comments May 18, 2007

- Requirement to subtract liabilities/expenses from net worth assumed by a third party on an expense-sharing agreement.
- Increase the minimum of one year for capital contributions to be considered permanent
- Money market haircuts proposed to change to 1%
- Formalize the interpretation of PAIB
- How will these changes affect 3PMs if they are enacted?

Rule 3012 & 3013 Responsibilities

- 3012: Supervisory control system
- 3013: Annual certification of compliance and supervisory processes

Presentation and Review of Compliance Calendar

Q&A Session for Webcast Attendees

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